WEEKLY ECONOMIC REVIEW

July 13, 2007

The Bank of Canada increased the overnight rate by 25 basis points to 4.5% this week, the first hike since May 2006. The tightening reflects stronger than expected economic growth and inflation in the first half of 2007.

The Bank has increased its growth projections for Canada to 2.5% in 2007 from 2.2% previously. The Bank's assumed trading range for the Canadian dollar between 93 and 95.5 cents U.S. is expected to moderate growth to an average of 2.5% in both 2008 and 2009.

The housing market is cooling off in Canada and Alberta. Nationally, housing starts were down 4.1%, to 225,000 in June following a significant 7.4% increase in May. Canadian new house prices rose 1.2% in May, continuing the more modest pace of growth that started in September 2006.

Preliminary housing starts in Alberta declined by 3.8% to an annual rate of 45,800 in June due to a decline in multiple starts.

With homebuilding softening, growth in the new house price index is moderating. Although Alberta's new house prices are up 23.4%, this is down from a peak of 53.5% in August 2006. This deceleration is primarily concentrated in Calgary, where the year-over-year growth in prices slowed to 17.5% in May from an unsustainable pace of over 60% in the third quarter of 2006. In contrast to Calgary, price increases in Edmonton remain strong.

Cdn Dollar (US¢/CS)		
July	13, 2007	95.4
July	6, 2007	95.4
2007-08	YTD	91.8
WTI Oil US$/bbl		
July	12, 2007	$72.50
July	5, 2007	$71.81
2007-08	YTD	$65.80
Nymex Natural Gas CS/MMBtu *		
July Contract		
July	13, 2007	$6.96
July	6, 2007	$6.93

*Estimate based on Nymex Futures Market Price

Despite weaker growth in the residential sector, Alberta's non-residential construction investment rose 11.1% in the second quarter, the 16th straight quarterly gain. Strong commercial investment, up 15%, accounted for most of the increase. Alberta's share of national investment increased to 23% from 18% in the second quarter of 2006, even though the share of Alberta's population is only 10.4%.

Oil prices climbed to US$72.50 per barrel prompted by robust worldwide demand.

Economic Indicators Released this Week	Reference Period	Month/Previous Month (M/M)	Month/Previous Year's Month (Y/Y)	Year-to-date[1]
Housing Starts (000s)[2]	**June**			
Alberta	45.8	-3.8%	-16.0%	-1.2%
Canada	225.5	-4.1%	-4.9%	-4.9%
New House Price Index (1997=100)	**May**			
Alberta	249.3	2.2%	23.4%	29.8%
Canada	162.1	1.2%	8.3%	9.0%
Trade Balance ($ Millions)	**May**			
Canada	5,898	-0.1%	50.6%	13.9%
United States (US$)	-60,036	2.3%	-8.6%	-7.0%
Non-Residential Construction Investment ($ Millions)	**2nd Quarter**	**Quarter/Previous Quarter (Q/Q)**	**Quarter/Previous Year's Quarter (Y/Y)**	**Year-to-date[1]**
Alberta	2,316	11.1%	44.1%	43.0%
Canada	9,939	5.0%	11.3%	9.7%

Source: Statistics Canada and Canada Mortgage and Housing Corporation

[1]Year-to-date 2007 compared to the same period in 2006. [2] Seasonally adjusted at annual rates.

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